

## Message Text

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ORIGIN EA-09

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R 212318Z DEC 76  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 308588

E.O. 11652: GDS

TAGS: EFIN, ID

SUBJECT: PERTAMINA'S LEASED TANKERS

1. MORGAN GUARANTY STILL UNABLE SECURE REQUIRED ACCEPTANCE BY SYNDICATE BANKS OF TWO ACTIONS IT RECOMMENDED IN ITS NOV 17 CIRCULAR MEMORANDUM, ACCORDING MG SOURCE. THESE ACTIONS IN EFFECT WOULD AMEND LOAN AGREEMENTS, AND UNANIMITY IS REQUIRED FOR AMENDMENTS (ALTHOUGH ONLY TWO THIRDS WEIGHTED VOTE REQUIRED TO BRING ABOUT LOAN ACCELERATION). RESPONSES RECEIVED SO FAR TOTAL ABOUT SIXTY PERCENT OF BANKS IN TWO SYNDICATIONS. MOST RESPONDING BANKS HAVE LITTLE TROUBLE WITH FIRST RECOMMENDATION -- THAT THEY OVERLOOK TECHNICAL DEFAULTS ARISING OUT OF CROSS-DEFAULT CLAUSES AND SHIPOWNER SUITS AGAINST PERTAMINA AND NOT CALL FOR ACCELERATED REPAYMENT.

2. PROBLEMS ARISE FROM SECOND RECOMMENDATION -- THAT FOR NOMINAL SUM BANKS WAIVE THEIR RIGHTS UNDER EVENTS OF DEFAULT WHICH RESULT SOLELY FROM INDEBTEDNESS OF GOI ENTITIES UNDER  
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OTHER LOAN AGREEMENTS (I.E., PERTAMINA'S LOAN AND OTHER PAYMENT AGREEMENTS IN CONNECTION WITH ITS SALE OF LNG TO JAPAN). WHAT TROUBLES MANY BANKS IN SYNDICATIONS IS UNHERALDED REFERENCE IN NOV 17 MEMORANDUM TO THESE PERTAMINA-JAPANESE ARRANGEMENTS. THESE PROVIDE FOR A PRIOR LIEN BY

JAPANESE LENDERS ON CERTAIN FUTURE GOI FOREIGN EXCHANGE EARNINGS AND WERE IN EXISTENCE BEFORE SYNDICATED LOANS WERE SIGNED LAST YEAR. IF SYNDICATED LOAN AGREEMENTS OF JUNE 6 AND NOV 14, 1975 HAD GIVEN RECOGNITION TO JAPANESE-PERTAMINA LNG ARRANGEMENTS AND HAD MADE PROVISION FOR THEM, PARTICIPATING BANKS WOULD PROBABLY NOT HAVE BEEN TOO CONCERNED ABOUT PRIOR LIEN FEATURES. BUT SUDDEN REFERENCE TO THESE ARRANGEMENTS AT THIS TIME HAS MADE SOME SYNDICATE BANKS HESITANT TO WAIVE THEIR RIGHTS. MORGAN GUARANTY IS WORKING TO OVERCOME THEIR DOUBTS AND EVEN CONFUSION ABOUT WHAT IT IS THEY ARE WAIVING, BUT ACKNOWLEDGES IT WILL TAKE TIME TO DO THIS.

3. IF UNANIMOUS ACCEPTANCE OF TWO NOV 17 RECOMMENDATIONS DOES NOT EMERGE CLEARLY, MORGAN GUARANTY WILL HAVE TO COME UP WITH A FALL-BACK RECOMMENDATION OF SOME KIND TO AVOID LOAN ACCELERATION, WHICH IS STILL GENERALLY UNDESIRE.

4. MG UNABLE SAY WHEN PERTAMINA ARGUMENTS ON APPEAL OF NY SUPREME COURT'S OCT 20 DECISION WILL BE HEARD. BURKE AND PARSONS (PERTAMINA'S ATTORNEYS) REPORT TO MORGAN GUARANTY, HOWEVER, THAT ENLARGED WRIT OF ASSET ATTACHMENT (16.5 MILLION DOLS), WHICH OCT 20 DECISION APPROVED WHEN IT ORDERED PERTAMINA'S 6.5 MILLION DOL BOND TO BE RETURNED, HAS YET TO BE SERVED ON PERTAMINA. SIXTY-DAY PERIOD FOR CORRECTION OF DEFAULT WHICH WOULD HAVE BEEN CREATED BY SERVICE OF ENLARGED WRIT OF ATTACHMENT HAS, THEREFORE, NOT YET BEGUN, AND ALL IS IN LEGAL LIMBO.

5. BANK INDONESIA GOVERNOR RACHMAT SALEH WAS IN NEW YORK  
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DEC 16-17 AND MORGAN GUARANTY EXPLAINED ABOVE SITUATION TO HIM. A JUNE 1977 LOAN OF 500 MILLION DOLS WAS DISCUSSED (IN EFFECT, A ROLL-OVER OF JUNE 6, 1976 LOANS OF 425 MILLION DOLS FROM U.S. BANKERS AND 150 MILLION DOLS FROM JAPANESE BANKERS), BUT ONLY INCONCLUSIVELY. SALEH INDICATED HE WOULD WANT TO SEE WHAT GOI'S MONEY POSITION WILL BE AT THAT TIME. MG SOURCE OPINED THAT JUNE 1977 MIGHT BE AN APPROPRIATE TIME FOR GOI TO COME TO INTERNATIONAL FINANCIAL MARKET FOR AN EXPRESSION OF OPINION ON INDONESIA'S CREDITWORTHINESS.  
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